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January 10, 2005

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Competitive Energy Services – Massachusetts, LLC, D.T.E. 04-84

Dear Ms. Cottrell:

Enclosed for filing in the above referenced docket, and on behalf of Bay State Gas Company (“Bay State”), please find the Comments of Bay State. The Comments are being filed in response to the Department’s Notice of Filing and Request for Comment, issued on November 12, 2004.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Caroline M. Bulger, Esq., Hearing Officer (1 copy)
George Yiankos, Director, Gas Division, DTE (3 copies)
Richard Silkman, Member, Competitive Energy Services- Massachusetts, LLC

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

COMPETITIVE ENERGY SERVICES, LLC

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D.T.E. 04-84

COMMENTS OF BAY STATE GAS COMPANY
REGARDING REQUEST TO PROVIDE
EXPANDED AND QUARTERLY
CUSTOMER ACCOUNT INFORMATION

I. INTRODUCTION

On July 14, 2004, Competitive Energy Services – Massachusetts, LLC (“CES-MA”) filed a request with the Department of Telecommunications and Energy (“Department”) seeking that the Department order “all natural gas utilities (‘LDCs’) [to] make available in electronic format and on a quarterly basis the capacity assignment numbers for each commercial and industrial account served by [each] LDC.” CES-MA Letter Request at 1. CES-MA stated that it believes competition for small commercial natural gas customers would be enhanced if the Department were to order LDCs “to provide the same information that electric utilities now provide – plus one more piece of information and that is the ‘capacity assignment’ number for each customer account.” CES-MA Letter Request at 2. CES-MA further proffers that “the terms and conditions under which this information would be provided and used should be similar to those governing the provision and use of electricity information.” CES-MA Letter Request at 3.

On November 12, 2004, the Department issued its Notice of Filing and Request for Comment. The Department indicated it would accept written comments on CES-MA’s request until January 11, 2004.

II. COMMENTS

Bay State Gas Company ("Bay State") hereby provides the following comments.

The Process for Receiving Customer Information Was Already Determined as part of a Multi-Stakeholder Settlement in D.T.E. 98-32 and is Codified in Each LDC's Tariffed Model Terms & Conditions of Service. As part of its investigation into gas unbundling in D.T.E. 98-32, the Department accepted a broad settlement on the terms of opening retail natural gas markets to competition, and within that settlement were Model Terms & Conditions agreed to by the parties that were deemed to be a fair and equitable balancing of the interests of all stakeholders. Bay State respectfully submits that the customer information and exchange process required to be undertaken by marketers/Suppliers was negotiated and agreed to as part of an omnibus settlement that resolved many issues relative to competition in retail gas markets. The process was agreed to by all the stakeholders, which included LDCs, competitive marketers and consumer protection entities. It requires the marketer to obtain authorization from each customer prior to requesting an LDC to release historic usage information. As set out in Section 24.4 of the Company's Distribution and Default Service Terms and Conditions, the authorization is required to be in the form of a letter of authorization, third-party verification or customer initiated call, consistent with 220 C.M.R. sec. 11.05.

After customer authorization takes place (which in sum means simply that the customer provides authorization and its account number and meter number to the marketer), the marketer can easily and readily (and as frequently as it desires) access

names, addresses, usage levels and capacity assignment via Bay State's internet web site, www.baystategas.com.

Accordingly, CES-MA's request is outside the methodology and process agreed to by the parties in D.T.E. 98-32. Moreover, the existing method of information exchange, embodied in order, regulation, settlement and tariff, has not been demonstrated by CES-MA to be contrary to the public interest. The method currently in place provides CES-MA the requisite information with a modicum of effort. CES-MA merely asserts that it believes broader benefits will accrue from its method, but has not provided a substantive reason why the current comprehensive method of information exchange established by settlement is insufficient. CES-MA's burden here, in light of the settlement and the broad consensus that created it, is greater than the showing it has made. For this reason the Department should deny CES-MA's request.

CES-MA's Requested Modification of the Method for Delivery of Customer Information Would Require Substantial Expensive Changes to Existing Information Technology. CES-MA formally seeks the quarterly information exchange for "commercial and industrial customers" and indicates its interest is in recruiting "small customers." CES-MA Letter Request at 1-2. Bay State notes that CES-MA's request does not appear to include the class of customers that have seen little benefit from the various unbundling efforts, that is, residential customers.

The effort of establishing and linking the database associated with individual account numbers to separate, specially-created customer identifiers, as was required in D.T.E. 01-54, is a very time-consuming and expensive prospect for LDCs, in particular

those without electric distribution affiliates that have already been required to create these identifiers. Since CES-MA's request does not intend to benefit all customers, the cost of these extensive changes to customer information systems should not be imposed through a base rate change, or charge through the LDAC, on all distribution service customers. If such information is required to be exchanged, it should be imposed directly on the entities that cause it, to wit, the marketers, who can then pass this cost of marketing onto their desired commercial and industrial contacts.

Any Broader or Altered Exchange of Customer Information Requires, At a Minimum, the Institution of Strict Customer Protection Rules. In D.T.E. 01-54, the Department instituted strict customer protection rules and confidentiality provisions to make sure active protections of customer information were in place. The Department required that each supplier agree that the information it received in a uniform electronic format be used only for the marketing of electricity and electricity-related services. Moreover, the extraordinary grant required significant expenditures of time and money to establish data systems that would assign a unique customer identifying number to the information required to be transferred. It established an "opt-out" system whereby customer information was provided to suppliers on a quarterly basis unless the customer informed the utility that it did not intend for its information to be exchanged. The Department ordered such treatment because of the need to devise creative ways to jump start competition in retail electric markets and in the absence of a comprehensive settlement among the stakeholders. The information was provided to all competitive suppliers and was relative to all classes of customers, including residential.

What CES-MA seeks is access to information relative to a slice of the market in a manner that will resolve its current dilemma on how to market to these larger customers. Bay State believes that the Department should not approve a piecemeal approach: if retail competition in natural gas markets is failing to take hold, the Department should examine and promote private efforts that open and promote competition in all segments of the market -- not just the higher-consuming segments. Moreover, even if information on all customer segments were made available, history on gas unbundling throughout the Commonwealth, including the experience with Bay State Gas' residential pilot program, raises serious doubts that any benefits of retail competition would be realized by certain customer segments, particularly residential.

WHEREFORE, Bay State Gas Company appreciates the opportunity to provide these comments.

Respectfully submitted,
BAY STATE GAS COMPANY

By its attorney,

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Dated: January 10, 2005